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DEPARTMENT PASS USTR
COMMERCE FOR ITA/MAC/AP/OKSA/JBENDER AND JKELLY

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SUBJECT: THAILAND TAKES A PASS ON ASEAN-KOREA FTA

1. (U) South Korea signed a Free Trade Agreement (FTA) with ASEAN in Kuala Lumpur on December 13, with the notable absence of Thailand, which declined to sign. Thai leaders did sign a framework agreement for the FTA, but balked at the deal on trade in goods after South Korea insisted on exclusion of rice from the tariff reduction list. Thailand is the world's largest exporter of rice and exported 34,000 metric tons of rice to South Korea in 2004, about 16 percent of rice allowed to be imported under Korea's strict import quotas, but only half a percent of overall Korean rice consumption.

2. (SBU) Mr. Phasit Poomchusri, senior expert in the Thai Department of Trade Negotiations (DTN), said discussions with South Korea would continue in January and hoped to have conclusion by the end of March for an agreement to be signed at an ASEAN Economic Ministers retreat in Laos in April. DTN did not expect South Korea to open its rice market further, but planned to negotiate an elimination of tariffs on a range of other agricultural goods in exchange for the rice exclusion. Phasit said Vietnam, the world's second largest rice exporter, had also been concerned about the exclusion of rice, but successfully made a side deal with the Koreans before the deal was signed.

3. (SBU) Although disappointed at the exclusion of rice from the agreement, Phasit said RTG goals had never been high for trade in goods. Korean tariffs on agricultural goods were already low and the value of Thai agricultural exports to Korea was not substantial. The RTG had higher hopes for an agreement on services and investment to be negotiated between ASEAN and South Korea in 2006, looking forward to investment cooperation in auto and electronics manufacturing.
BOYCE